

GREATER MANCHESTER PENSION FUND

LOCAL PENSIONS BOARD

29 March 2018

Commenced: 3.00pm

Terminated: 5.15pm

Present:	Councillor Fairfoull (Chair)	Employer Representative
	Jayne Hammond	Employer Representative
	Richard Paver	Employer Representative
	Paul Taylor	Employer Representative
	Chris Goodwin	Employee Representative
	Catherine Lloyd	Employee Representative
	Pat Catterall	Employee Representative

Apologies for absence: **Councillor Cooper, Mark Rayner and David Schofield**

24. DECLARATIONS OF INTEREST

There were no declarations of interest submitted by Members in relation to items on the agenda.

25. MINUTES

The Minutes of the meeting of the Local Pensions Board held on 14 December 2017, having been circulated, were signed by the Chair as a correct record, with the inclusion of Jayne Hammond to the list of persons present.

26. LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985 – EXEMPT ITEMS

RESOLVED

That under Section 100 (A) of the Local Government Act 1972 the public be excluded for the following items of business on the grounds that:

- (i) they involve the likely disclosure of exempt information as defined in the paragraphs of Part 1 of Schedule 12A of the act specified below; and
- (ii) in all circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information for reasons specified below:

<u>Items</u>	<u>Paragraphs</u>	<u>Justification</u>
5,7,9,12,14	3&10, 3&10, 3&10, 3&10, 3&10	Disclosure would or would be likely to prejudice the commercial interests of the Fund and/or its agents, which could in turn affect the interests of the beneficiaries and/or tax payers.

27. SUMMARY OF GMPF DECISION MAKING

The Assistant Director of Pensions, Funding and Business Development, submitted a report summarising the decisions made by the GMPF Working Groups during January and February 2018 and which were submitted for approval at the Management Panel meeting on 23 March 2018.

It was explained that Tameside MBC delegated its decision making in respect of GMPF to the Management Panel, which in turn authorised the Director of Pensions to implement its strategy via delegated powers. The Pension Fund Advisory Panel worked closely with the Management Panel, and advised them in all areas. Each local authority was represented on the Advisory Panel, and there were five employee representatives nominated by the North West TUC.

Four external advisors assisted the Advisory Panel, in particular regarding investment related issues. A key element was helping it to question the Fund's investment managers on their activities. GMPF also had six permanent working groups, which considered particular areas of its activities and made recommendations to the Management Panel. The Working Groups covered:-

- Alternative Investments;
- Policy and Development;
- Employer Funding Viability;
- Investment Monitoring and Environmental, Social and Governance (ESG);
- Pensions Administration; and
- Property.

The Panels and Working Groups met quarterly and the recommendations of each of the working groups from the meetings that had taken place since the last meeting of the Local Board, were set out in the report.

The Assistant Director explained that the Policy and Development Working Group had met the day prior to the Management Panel and most of the items had been discussed at the Panel meeting on 23 March 2018. He added that he would include a summary of the decisions at the next meeting of the Local Board.

Members sought information with regard to how the GMPF Board agendas compared to those of other Local Boards. The Director of Pensions, in response, explained that she understood that larger funds were similar to GMPF's, as would be expected.

It was suggested that fund manager monitoring may be an area for consideration for Local Board going forward, together with the Performance Dashboard and the Manager Monitoring Regime and escalation process, which was a recent process brought in by the Director to look at risk as well as performance to which Local Board members had access. Administration benchmarking could also be an area for consideration by the Board.

RESOLVED

That the content of the report be noted.

28. LOCAL BOARD TERMS OF REFERENCE

The Assistant Director of Pensions, Funding and Business Development, submitted a report explaining that the Terms of Reference for the Local Board required periodic review by the Administering Authority. One of the areas that the Terms of Reference suggested should be reviewed was the appropriate number of Board members, which should be conducted in liaison with the Board. A copy of the Terms of Reference was appended to the report.

It was reported that the GMPF Local Board was initially comprised of 2 employer representatives and 2 employee representatives (there is a requirement for equal numbers of each).

This was increased soon after establishment to '4+4' and then to '5+5' with the addition of the pensioner representative and the representative of non-local authority employers. The only change to the Board membership since the expansion to 10 members was the retirement of the original Board Chair (one of the employer representatives) and the appointment of Councillor Fairfoull as his replacement.

The Terms of Reference set the terms of office for the initial board members to run until September 2016 but gave the Administering Authority the power to extend these. However, the Terms of Reference were silent on the terms of office of the members who had subsequently joined.

Discussion ensued in respect of appropriate terms of office and composition of the Board and Members gave consideration to the appropriate range of skills and experience, and whether the Board effectively represented employer and Scheme member interests. They further considered the need to maintain stability whilst achieving appropriate turnover of members.

The Chair agreed that a report be submitted by the Director of Pensions to a future meeting of the Local Board setting out suggested Board composition and terms of office going forward, taking into consideration members' comments that a 4 year term of office seemed appropriate.

RESOLVED

- (i) That the content of the report be noted; and**
- (ii) That a report be submitted to a future meeting of the Local Board for members' consideration, setting out proposals for Board composition and terms of office going forward.**

28. NORTHERN POOL

The Assistant Director of Pensions, Funding and Business Development, submitted a report summarising the recent activity of the Northern Pool and other relevant developments related to pooling assets across the LGPS in England and Wales.

It was reported that, as discussed at the previous meeting, the Northern Pool submitted a formal progress update to DCLG on 9 November 2017. Rishi Sunak MP had recently provided a response to the Northern Pool's autumn progress update, a copy of which was appended to the report. The Minister had expressed his desire to meet with members of the Northern Pool Shadow Joint Committee to discuss plans for implementation. It was also understood that the Minister wished to see increased investment in housing from the LGPS and had reiterated his desire to visit some of the Northern Pool's housing developments in his letter.

The main ongoing work streams for the Northern Pool were set out in the report.

As also discussed at previous meetings of the Working Group, the plans for the Northern Pool had evolved since the July 2016 submission was made to Government in order to more effectively meet the Pooling Criteria and Guidance and deliver better outcomes for the funds and their stakeholders.

In particular, the vast majority of the benefits of pooling for the funds in the Northern Pool were in respect of alternative assets where there was greatest scope to generate further economies of scale and to combine resources to make increasingly direct investments. Following detailed discussions with each of the Fund's advisors and the professional advisors to the pool, it was agreed in March 2017 that in order to best meet the Reduced Costs and Excellent Value for Money criteria set by Government, the Northern Pool should focus resource on making collective investments in alternative assets (which would commence and start generating material cost savings from April 2018) rather than establishing an Investment Management Company established under the Alternative Investment Fund Managers Directive ('AIFM') as a pool operator in the short term.

However, as could be seen from the letter recently received from the Minister, the current structure of the Northern Pool may not necessarily be in line with what Government was envisaging when the pooling agenda was formed.

The Northern Pool's understanding of the relevant Regulations was that it is up to administering authorities, to determine that they meet the pooling Criteria and Guidance. As such, the Northern Pool administering authorities are being asked to confirm that they believe the criteria and guidance has been met when formalising the governing documentation of the pool.

A presentation was attached to the report, setting out how the Northern Pool would meet the requirements of the LGPS Investment Regulations and the Pooling Criteria and Guidance issued by Government.

With regard to formally establishing the Northern Pool Joint Committee, a draft of the inter-authority agreement which set out the operation of the Northern Pool Joint Committee, was also appended to the report.

LGPS National Pooling developments were detailed and discussed.

Further to discussion regarding Pool governance, the Director of Pensions explained that each administering authority would need to agree the details of the formal establishment of the Pool at their upcoming Annual Council meetings.

RESOLVED

- (i) That the content of the report be noted; and**
- (ii) That further Pooling updates be provided to future meetings of the Local Board.**

29. LOCAL BOARD TRAINING

The Assistant Director of Pensions, Funding and Business Development submitted a report explaining that Local Board members were required to acquire appropriate 'knowledge and understanding' of pension matters, under the Pensions Act 2004. The degree of knowledge and understanding must be 'appropriate for the purposes of enabling the individual to properly exercise the functions of a member of a local board'.

The report summarised some of the resources available to members to help meet their training requirements and facilitated discussion on how further support could be provided.

The Assistant Director of Pensions asked Board members to ensure they completed the Pensions Regulator's Public Service Toolkit as soon as possible.

He added that it was expected that the Pensions Regulator would look to increase its monitoring of compliance with the knowledge and understanding requirements and sought to take action against Boards and Scheme Managers that could not demonstrate compliance. To help demonstrate compliance and provide assurance to stakeholders, it was expected that GMPF would continue with its practice of disclosing Panel and Board members' attendance at training events in the annual report. Members were asked to ensure that they informed the Clerk to the Board of any training events they had attended.

Discussion ensued with regard to training and in particular, members expressed a need for further information with regard to the role of the Pensions Regulator.

RESOLVED

- (i) That the content of the report, including the knowledge and understanding requirements of the role of Board member, be noted;**

- (ii) That all Board members complete the Pensions Regulator's Public Service Toolkit as soon as possible; and
- (iii) That all Board members subscribe to pensions news updates from the Pensions Regulator.

30. 2019 ACTUARIAL VALUATION AND RELATED FUNDING MATTERS

Consideration was given to a report of the of the Assistant Director of Pensions, Funding and Business Development, which explained that the next actuarial valuation of the LGPS in England and Wales would take place with an effective date of 31 March 2019, with new contribution rates coming into effect from 1 April 2020.

The report summarised the change in funding since the effective date of the previous valuation (31 March 2016) and some of the factors that were likely to impact 2019 valuation results.

The report also covered some related matters, in particular changes that were being made to the calculation of early retirement 'strain costs' for employers.

RESOLVED

That the content of the report be noted.

31. GMPF BUDGET 2018/2019 AND FUTURE MEDIUM TERM FINANCIAL PLANNING

A report was submitted by the Assistant Director of Pensions, Local Investments and Property, explaining that, at its meeting on 23 March 2018, the GMPF Management Panel approved an expenditure budget for GMPF for 2018/2019 alongside a medium term financial plan.

It was reported that the Fund, following approval on assumptions and process by the Management Panel, produced a medium term financial plan and medium term expenditure plan in its annual report and accounts for 2017/18, details of which were set out in the report.

Key observations were detailed as follows:

- Investment returns were the key determinant of the financial position;
- The Fund had a negative cash-flow from pensions paid, less contributions and the trend was for this to increase as the Fund matured; and
- The management costs were small relative to Fund size and annual cash flows and were assumed to remain constant in the medium term. (This was due to uncertainty over pooling arrangements and the fund's zero based budgeting approach).

The medium term financial plan was set out in the report and the key observations for consideration were:

- The maturity of the Fund continued and accelerated;
- Investment income was still higher than outflows to pensioners net of contributions; and
- Investment returns were key drivers of outcomes.

Budget changes for 2018/19 from the 2017/18 budget were detailed with investment management arrangements making up the major part of the changes.

RESOLVED

That the content of the report that was presented to the Management Panel, be noted.

32. 2017/18 EXTERNAL AUDIT PLAN

Consideration was given to a report of the External Auditor, Grant Thornton, which set out their approach to the 2017/18 audit.

It was noted that the estimated audit fee for 2017/2018 was £56,341.

RESOLVED

That the content of the report be noted.

33. THE PENSIONS REGULATOR (TPR)

The Pensions Policy Manager submitted a report providing the Local Board with an update on work relating to compliance with TPR's Code of Practice 14 that was currently being carried out.

The report gave details of:

- Further review of compliance with Code of Practice 14;
- Breaches of the law logged so far in 2017/2018; and
- Correspondence received from TPR in December 2017.

The report concluded that a review of compliance with the Code of Practice 14 had been undertaken and a number of areas where immediate improvements could be made had been identified. The aim was to complete all these tasks by May 2018 and create action plans for any longer-term developments needed also by this date.

GMPF had been recording breaches of the law on its breaches log. GMPF's breaches policy and log would be strengthened for 2018/2019 to ensure it was in line with TPR's latest guidance.

A number of steps had been taken regarding the breach of the law relating to the accuracy of data provided by a large scheme employer. Updates had been provided to TPR. These would continue to be provided in order to assist TPR with its investigations.

Discussion ensued with regard to the breaches of law logged and areas identified for improvement to strengthen compliance standards.

RESOLVED

- (i) That the content of the report, including the breaches of the law logged so far in 2017/18, be noted;**
- (ii) That the progress on a case that TPR wrote to GMPF about in December relating to a breach in the law, be noted; and**
- (iii) That the log of breaches of the law reported to the Pensions Regulator and unreported breaches be a standing item for future Local Board agendas.**

34. ADMINISTRATION BUSINESS AND PROJECT PLANS

A report of the Pensions Policy Manager was submitted providing Local Board members with a summary of:

- Progress made on the 2017/18 business planning objectives set by the Administration section and confirmation of the objectives set for 2018/2019;
- A summary of the other strategic or service improvement administration projects being worked on currently; and
- Regular and other items of work currently being undertaken by the section.

RESOLVED

That the content of the report be noted.

35. RISK MANAGEMENT AND AUDIT SERVICES 2017/2018

Consideration was given to a report of the Head of Risk Management and Audit Services summarising the work of the Risk Management and Audit Service for the period April 2017 to 2 March 2018.

Details were given of final reports issued during the period as follows:

- GM Property Venture Fund – Review of First Street Development;
- Contributing body Visit to Tameside MBC; and
- Transfer of Assets to Stone Harbor (the Fund's specialist credit manager)

Draft reports were also issued as follows:

- VAT;
- Treasury Management; and
- Contributing Body Visit to Salford CC.

Details were also given of post audit reviews currently in progress, the results of which would be reported to the next meeting of the Local Board.

Audits/work currently in progress were outlined as follows:

- ICT Device Management;
- Calculation and Payment of Benefits;
- Contributing Income;
- Contributing body Visit to Trafford MBC;
- Contributing Body Visit to Manchester CC
- Agresso Upgrade; and
- Sign off – Bank Account Transfer to Barclays.

It was explained that the Public Sector Internal Audit Standards (PSIAS) required that an external assessment of an organisation's internal audit function was carried out once every five years by a qualified, independent assessor or assessment team from outside of the organisation.

The North West Chief Audit Executives' Group (NWCAE) had established a 'peer-review' process that was managed and operated by the constituent authorities. This process addressed the requirement of external assessment through 'self-assessment with independent external validation'.

The assessment of Tameside MBC Internal Audit Service had been carried out between 12 – 14 March 2018. The initial feedback to the Head of Risk Management and Internal Audit was positive and the report was awaited.

Members were informed that the Internal Audit Plan for 2018/2019 was currently being drawn up and would be presented to the next meeting of the Board.

RESOLVED

That the content of the report be noted.

36. URGENT ITEMS

The Chair reported that there were no urgent items received for consideration at this meeting

CHAIR